

Chapter Four

Menu Planning and Pricing Techniques

The menu is the key marketing and selling tool available to the restaurateur and as such meticulous attention to detail is the key to making this work successfully and is a positive step towards a profitable food and beverage enterprise. The menu communicates a wide range of information to the customer both in terms of the words used to describe dishes, referred to as 'copy' and more subliminally through color, layout, quality of material used, and style and needs to be reflected conceptually throughout the whole restaurant.

The menu is often considered to be the prime selling tool of a foodservice operation and therefore it should be written to inform and sell. The menu, or bill of fare, is a means of communication, informing the customer of what the establishment has to offer. The compiling of the menu is one of foodservice operator's most important jobs, whether it is for establishments in the profit sector, or for those working to a budget, such as hospitals, schools or other, similar institutions.

The menu, together with other physical attributes of a property contributes to creating a level of expectation from the customer. Meeting this customer expectation or in fact exceeding this expectation should be the primary objective of the restaurateur in the quest for a successful and profitable business. Because the menu plays such a pivotal role in operational style, pricing structure and overall concept design it is important at the planning stage that the location is right for the planned menu type, that the market exists within this catchments area and that it works with regard to the local competition.

In an affluent residential area a small restaurant may be successful with high priced, high quality items and a low volume of customers whereas in a less affluent area, perhaps with a high student population on restricted budgets a small restaurant may have more success with a takeaway menu. These two examples are rather polarized and often boundaries are not quite so clearly defined but it serves to demonstrate the need to consider these aspects before embarking on a restaurant style or menu plan.

Developing Menu Policy

When compiling the menu for an operation it is necessary to consider the creation of a menu policy which will govern the approach to the composition of the menu. This policy will determine the methods the operation will take to:

- Establishing the essential and social needs of the customer.
- Accurately predicting what customer is likely to buy and how much they are going to spend.
- Ensuring means of communication with customers.
- Purchasing and preparing raw materials to pre-set standards in accordance with purchasing specifications and forecasted demand.
- Portioning and costing the product in order to keep within company profitability objectives.
- Effectively controlling the complete operation from purchase to service on the plate.

Type of Menus

Although there are many types of eating establishments offering many types of meal experiences, there are basically only two types of food menus: the *table d' hôte* ; and the *à la carte*. From these two types of menus there are in practice many adaptations of each.

[1] Table d' hôte Menu (set menu or fixed menu)

A set menu forming a complete meal at a set price. A choice of dishes may be offered at all courses; the choice and number of courses will usually be limited to two, three or four. Table d' hôte means food from the hosts' table and may be identified by:

1. Being a restricted menu.
2. Offering a small number of courses, usually three or four.
3. A limited choice within each course.
4. A fixed selling price.
5. All the dishes being ready at a set time.

This type of menu usually contains the popular type dishes and is easier to control, the set price being fixed for whatever the customer chooses, or being set depending on the main dish chosen and occasionally may offer an additional item at a supplementary price. It is common practice in many restaurants

for a table d' hôte menu to be offered to a customer together with an à la carte menu. Table d' hôte menus can be offered for breakfast, lunch and dinners. Their many adaptations are used for:

- 1. Banquets :** A banquet menu is a fixed menu at a set price offering usually no choice whatsoever to the customers, unless the client informs the caterer in advance that certain guests require, say, a vegetarian or kosher type meal, and is available to all guests at a predetermined time.
- 2. Buffets:** Buffet type meals vary considerably depending on the occasion, and the price paid, from the simple finger buffet, where all items prepared are proportioned to a small size so that the customer may consume it without the use of any cutlery, to the exotic fork buffets where hot and cold food is available and where many large dishes will be carved and portioned for the individual guest. Buffets are frequently prepared for such occasions as wedding receptions, press receptions, presentations and conferences. Buffets can be classified as a form of table d' hôte menu as they offer a restricted menu, a limited choice of only what is on the buffet; a predetermined set price and all the dishes are available at a set time.

3. Coffee houses: A coffee house menu is a more recent form of table d' hôte menu that is commonly used today in hotels and restaurants. This type of menu is characterized by:

- Being a set menu offered often for twelve to eighteen hours of the day.
- Being reasonably priced, with often each dish or section of the menu individually priced.
- Offering a range and choice of items that are suitable for snacks, light meals, lunch or dinner.
- Offering a limited range of foods that are either already cooked, are of the convenience type food category and require little preparation time, or are simple and quick to cook, for example omelet ' s, hamburgers, etc.
- A simplified form of service being offered, for example plate service, counter service, etc. – In some establishments the coffee shop menu may be replaced for two to three hours with a special breakfast menu offering a restricted choice when there is a need to serve a very large number of people in the shortest possible time.

[2] Cyclical menus

These are a series of table d' hôte menus, for example for three weeks, which are repeated again and again for a set period of, for example, four months. These are often used in hospitals and industrial catering as an aid to establishing a pattern of customer demand for a menu item and as a result assist in purchasing, preparation of items and staffing requirements.

Cyclic menus are menus compiled to cover a given period of time. They consist of a number of set menus for a particular establishment, perhaps industrial restaurant, cafeteria, canteen, directors' dining room, hospital or college refectory. If cyclic menus are designed to remain in operation for long periods of time, then they must be carefully compiled in order that they do not have to be changed too drastically during operation if, for instance, stock availability changes.

Advantages of cyclic menus are:

- They save time by removing the daily or weekly task of compiling menus, although they may require slight alterations for next period.
- When used in association with cook-freeze operations, it is possible to produce the entire number of operations of each item to last the whole cycle, having determined that the standardized recipes are correct.

- They give greater efficiency in time and labor.
- They can cut down on the number of commodities held in stock and can assist in planning storage requirements.

Disadvantages are:

- When used in establishments with a captive clientele, then cycle has to be long enough so that customers do not get bored with the repetition of dishes.
- The foodservice operator cannot easily take advantage of good buys offered by suppliers on a daily or weekly basis unless such items are required for the cyclical menu.

[3] À la carte Menu

A menu with all the dishes individually prices. The customers can therefore compile their own menu. It also means a free choice from the card or menu and is identified by:

1. Being usually a larger menu than a table d' hôte menu and offering a greater choice.
2. Listing under the course headings all of the dishes that may be prepared by the establishment.
3. All dishes being prepared to order.
4. Each dish being separately priced.
5. Usually being more expensive than a table d' hôte menu.

6. Often containing the exotic and high cost seasonal foods.

Part of an à la carte menu may contain a plat du jour or ‘specialty of the house’ section. This consists usually of one or two main dishes, separately priced, which are already prepared and change daily. À la carte menus are, because of their size and the unknown demand of each item, more difficult to control than the typical table d’ôte menus.

A special promotion menu is a form of à la carte menu which is at times offered to the guest in addition to the à la carte menu. This type of menu is concerned with the selling of a particular part of a menu to increase the interest for the customer, to increase the average spending by the customer and in turn to increase the turnover and profit for the caterer. Promotions may be made by specially printing attractive menus for such items as:

1. Shellfish, when an increased variety of shellfish and special dishes would be made available.
2. Soft fruits, when various types of berry fruits such as strawberries, raspberries, loganberries, etc. would be featured in special dishes.
3. The game season, when pheasant, grouse, etc. would be featured in pâtés, soups and special main course dishes.

4. Dishes cooked or prepared at the table, for example crêpes Suzette, steak Diane, etc.
5. Dishes that utilize seasonal produce many of which are included in the items above.

[4] Special party or function menu

These are set menus for banquets or functions of all kinds.

[5] Ethnic or specialty menus

These can be both table d'hôte or a la carte menus specializing in the food (or religion) of the country or in specialized food itself.

[6] Hospital menus

These usually take the form of menu card given to the patient the day before service so that their preferences can be ticked.

[7] Menu for people at work

These are menus that are served to people at their place of work. Such menus vary in standard and extent from one employer to another.

[8] Menus for children

These should emphasis healthy eating through a balanced diet. Those areas with children of various cultural and religious backgrounds should also have menus that reflect this cultural diversity.

Menu Offering

Much has changed in the presentation and service style of the food and beverage offering. Traditionally high-level service consisted of trolley service where food was either cooked or carved at the table and vegetables were silver served or alternatively silver service where each component of the meal was served individually from silver flats or dishes.

Table or family service followed this where the main item was plated and vegetables and accompaniments were placed in dishes on the table for guests to help themselves. At the lower end of restaurant service was plated service where the whole meal was pre-plated and finally self-service where the customer selected and collected their meal from a service counter. Menu development followed these service styles so that the more expensive trolley or silver service styles reflected in more expensive menu items, printing and general restaurant ambience.

Changes in food presentation style initiated by nouvelle cuisine and continued through the development of celebrity chefs now finds plated service regarded as the normal choice in many of the world's top luxury restaurants. The chef literally creates the dish on the plate complete with vegetables, sauces and accompaniments creating a presentation or picture of the dish. Menus need to reflect this change in presentation style and the change in status of plated meals.

In particular menu descriptions need to be both informative and accurate because all items are already on the plate and customers may dislike one component or have intolerance for some food items. Descriptions have also developed a wider range of and greater use of adjectives similar in many ways to that used to describe works of art, and for the chef restaurateur this is the image that they want to portray as part of the establishment's and their own identity.

Content of Food Menus

The content of food menus varies with the type of menu, the segment of the market it is aimed at, the occasion, the food cost available, the country or region, etc. Table d'hôte menus are often of three to four courses only. A hotel room service breakfast menu will offer three or four courses from both a traditional

breakfast and a continental style breakfast together with a number of ancillary items such as newspapers, magazines or early morning beverages and will also offer a range of breakfast delivery times depending on the establishment.

A' la carte menus often differ for lunch and/or dinner periods, although it is not uncommon for the same à la carte menu to be offered throughout the day. In the UK, for example, traditionally the heavier type items, for example thick vegetable-based soups, farinaceous dishes, meat puddings, meat stews, steamed fruit and sponge puddings, would normally be found on a lunch menu; whereas the lighter and often more delicately flavored dishes would be found on a dinner menu, for example specialty consommés, poached fish with delicate flavors and often

Menu Themes

The design of a menu concerns more than the typography, color, graphics, and shape or production material, important as these areas might be. Today's consumers are well aware of a modern computers ability to produce high quality print and graphics.

With production of high quality colorfully designed menus with large amounts of graphics is relatively simple and inexpensive. A catering business, therefore, relies more heavily for its overall design appeal on what and how it describes the menu items. The use of language often causes difficulty particularly mixing different languages, for example English and French. By adding French the restaurateur may seek to add classical named dishes but by mixing the language the dish is described in pseudo-English or French and often becomes an unrecognizable hybrid. If part of the restaurants theme is to represent another country then the menu may be written in the corresponding language but it is essential that an accurate description of each dish be given properly translated into English. In this way special themes or events can be reflected in the menu design and content.

Menu Presentation

Comparatively lower production costs and modern materials should ensure that menus are always kept clean and presentable. Damaged, soiled menus or those that have prices overprinted or in some cases where new prices have been stuck over existing prices are not acceptable and customers will regard the establishment as being of a low standard.

Menus should be easy to read, clear and precise and enable a customer to calculate approximately how much they are likely to spend and show clearly if any additional charges are to be made, for example service charge. Menu items should have accurate descriptions where required, reflect the expectations of customers in terms of the style of restaurant the menu portrays and the service style they should expect. The menu should reflect the restaurant offering in line with current market trends and customer expectation.

Menus should be designed to market the restaurant, entice diners to eat. The average customer spends only two minutes reading the menu. The term “reading” may be an overtly optimistic expression of what is no more than a quick scan. In only two minutes your menu must communicate the full range of food and beverages offered and sell the guest on what to purchase to both satisfy them and your financial objectives.

Layout of the Menu

The larger the menu the more time consuming it is for customers to make their selection of food or wine. However, if it is too short customers may not be entirely satisfied by what is offered. Caterers need to adjust the length of their menu to the particular needs of their customers; bearing in mind that the

longer a menu becomes the more management control will be necessary.

What often is particularly confusing and embarrassing- unless the customer is very knowledgeable- is the length of wine lists offered in many restaurants. Unless wine lists of this type are extremely well laid out and contain additional help to customers to aid their selection, they will do very little to help the potential sales of a restaurant. The layout of a menu should take into consideration how a customer normally reads a menu. This skilled use of the important areas on a menu must be utilized to enable an establishment to achieve its budgetary targets.

Menu Size and Form

The size and shape of a menu can add to and complement the uniqueness of the facility. A food or beverage menu must be easy for the customer to handle and in no way confusing to read. The various forms that the menu can take are unlimited, from a menu chalked up on a blackboard, to a large illuminated display board with photographs, conventional menu cards, tent cards, placemats, menus printed in the shape of a fan or even hand printed onto silk handkerchiefs as mementoes for the guests at a banquet.

There are cost implications, particularly where the services of a professional printing company are involved and therefore consideration for the length of time that a menu might be used or the level of soiling that might be expected should be included as part of the decision-making process.

Menu Pricing

Menu pricing needs **to fulfill two needs**, for the caterer the need to make adequate profits and for the customer the need to satisfy getting value for money. In both cases the requirement for accuracy is paramount. Customers today are more sophisticated in their dining habits, more people eat out, many are well travelled and nearly all have gained perceptions of quality and value for money from watching celebrity chefs and other food programs on television.

Profitability is essentially as far as the menu is concerned has three elements: margin per item, sales mix and volume. A restaurateur's policy on pricing should take a holistic view of the business and include expected return on investment, market demand, competition, where price should be measured against quality, industry standards for style of operation, location, particularly where this may impact on business overheads including staff costs, rents and council charges.

Pricing Models

There are a number of well-established pricing models commonly used some of which are better suited to commercial undertakings whilst others are more frequently used in 'not for profit organizations'. In this respect benchmarking against others in the sector may provide a good 'feel' for a suitable pricing model.

[1] Cost Plus Pricing

Cost plus pricing takes the ingredient or food cost element of a menu item and simply adds a predetermined multiplier or markup. Most commonly used where a simple pricing model will provide the desired return and there are few additional costs.

Typically, this could be something like a house wine where little further expense will be incurred and the restaurateur simply multiplies the buying price by say three, so cost price is £4 selling price becomes £12 plus or including any sales tax. This simple pricing approach may aid decision making when for example on the telephone to a supplier or perhaps in a market. By simply applying a set multiplier they can get a good estimate of selling price.

[2] Competition Pricing

Competition pricing as the name suggests copies the prices of competitors. As a short-term strategy this may achieve increased business but it can easily spiral out of control into a price war. What are unknown are the competitors cost structure and margins maybe severely compromised.

[3] Rate of Return Pricing

The basis for this method is an attempt to establish a break-even matrix based on predicted costs and sales. So, for example, if a restaurant investment I £300,000 and the required return on this is 20% then the restaurant seeks profits of £60,000 per year.

By modeling the costs, sales price and volume the emerging data will indicate what levels this needs to be in order to achieve the desired return. It would then be necessary to take it a stage further and carry out a feasibility study to see if the model fits the operational style of the restaurant. This model is unlikely to give definitive menu prices although they may be indicative and therefore help in the initial restaurant setup decision.

[4] Elasticity Pricing

This pricing method considers the market and its sensitivity to price change. If the restaurant operates in a market where price is a determinant of demand a lower price may increase volume sufficiently to give better profitability. The market may also allow supply to be a determinant of price thereby allowing price increase without undue effect on volume. Fast-food operations, particularly branded burger restaurants in urban areas have been demand led and very price sensitive, particularly when market share becomes an important aspect, however when these same restaurants are located on motorway service stations they become supply led and prices can increase.

[5] Backward Pricing

Backward pricing considers what the customer or market will bear in terms of price. Often used in manufacturing, for example confectionary or canned drinks less common in restaurants but useful when trying to establish or develop a new product. Requires fairly accurate ingredient and processing costs to be established and relies heavily on volume forecasts.

[6] Prime Cost

Prime cost and its variant actual cost endeavor to provide more accurate cost models. Prime cost attempts to calculate labor cost in addition to food cost and actual cost attempts to include overheads. Both of these may be modeled via data from electronic point of sale (EPOS) systems over time and may also be benchmarked against industry standards for the sector. For example, it may be established that Pizzeria 's have an average food cost of 20%, an average labor cost of 30%, average overhead costs of 30% and require a return on investment of 20%. In this model if pizza ingredients cost £1 the operator has £1.50 towards labor, £1.50 towards overheads and £2 towards return on his investment that equates to a selling price of £5 plus sales tax where applicable.

[7] Departmental Profit Margins

The approach to menu pricing must follow from the outline of the basic policies and from the determined departmental profit targets. Each department will have a significant role in the total organization and its individual profit targets will normally be unrelated. For example, in a hotel the profit required from the à la carte restaurant may well be far lower than that of its coffee shop.

The existence of the à la carte restaurant may be mainly of an image status for the hotel as against being a major profit contributor. What is necessary is for the total sum of the individual departments' contributions to equal (at least) the desired contribution to the revenue for the whole establishment.

[8] Differential Profit Margins

It is unusual to apply a uniform rate of gross profit to all of the items found on a food menu or beverage list, although this simplistic method of costing can at times still be found in the noncommercial sector of the industry. In the non-commercial sector of the industry one of the advantages is that where a uniform rate of gross profit is applied (e.g. 60%), reference to the takings can quickly show the costs at 40% gross profit irrespective of the sales mix and an immediate comparison can be made to the actual usage of materials.

Special Pricing Considerations

1. Sales Tax:

Depending on the government in power, it is likely that some form of sales tax may be enforced during its period of office. It is important to the customer to know whether prices displayed or quoted are inclusive of this sales tax or not.

Additionally, the caterer needs to realize that any money collected on behalf of the government has at some time to be paid to that government and that it should not be included when calculating revenue or average spend figures, etc.

2. Service Charge:

This is an additional charge, made to customers, at a fixed percentage of the total cost of the food and beverage served. The fixed percentage is determined by management, printed on the menu/beverage list, with the objective of removing from the customer the problem of determining what size of tip to give when in a particular establishment. As this charge is to be distributed to the staff at a later date, usually on a points system, it should be treated similarly to a sales tax and not included in the calculation of revenue for food and beverages or in the calculations of average spend figures.

3. Cover Charge

This is an additional charge to a meal in restaurants to cover such costs as the bread roll and butter and items included but not priced on a menu. Care should be exercised as to whether to implement this or not as it is most likely to cause aggravation to some clients when it is applied.

4. Minimum Charge

Restaurants to discourage some potential clients from using the premises and to discourage clients from taking up a seat and only purchasing a very low priced item often enforce this.

Menu Knowledge

When we consider that a menu is the primary sales tool for any restaurant operation it follows that product/menu item knowledge is important. Aside from issues concerning allergies, special diets or preferred tastes discerning customers will expect waiting or sales staff to have a thorough understanding of all dishes both in terms of ingredients and preparation and cooking.

Good menu knowledge is an essential aid in the sales process, it provides an opportunity to discuss and where appropriate to up-sell more expensive or more profitable dishes. It also gives the customer assurance that the establishment is managed professionally.

Menu Sales Mix

Although generally food costs only account for 20–30% of menu item cost averaged across the menu there are often considerable variations. It may be seen from the example above that different food or beverage items may carry significantly different levels of profit contribution.

Questions

1. **Define** the menu and discuss briefly its importance in the hotel industry.
2. Explain briefly the different types of menus.
3. **Discuss briefly** the following:-
 - Menu offering
 - Menu theme
 - Menu presentation
 - Menu layout
4. **State** the different methods of menu pricing and discuss briefly three of them.
5. There are some points should be considered for special menu pricing. **Explain**